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NATCHITOCHEs HISTORIC DISTRICT DEVELOPMENT COMMISSION
NATCHITOCHEs, LOUISIANA

FINANCIAL REPORT
JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-19-2000

Natchitoches Historic District Development Commission
Annual Financial Report
June 30, 1999

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Natchitoches Historic District Development Commission

We have audited the general purpose financial statements of the Natchitoches Historic District Development Commission, Natchitoches, Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the U.S. General Accounting Office, and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Natchitoches Historic District Development Commission, Natchitoches, Louisiana, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 1999, on our consideration of the Natchitoches Historic District Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

December 19, 1999
Natchitoches, Louisiana

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

Natchitoches Historic District Development Commission
Combined Balance Sheet-
All Fund Types
June 30, 1999

	<u>Governmental Fund</u>
	<u>General</u>
	<u>Fund</u>
ASSETS:	
Cash	\$272,685
Due from Natchitoches Parish Tourist Commission	<u>77,020</u>
Total Assets	<u>\$349,705</u>
LIABILITIES AND FUND EQUITY:	
Liabilities-	
Accounts Payable	\$ <u>540</u>
Fund Equity-	
Fund Balance-	
Reserved for External Appropriation	\$125,000
Unreserved-Undesignated	<u>224,165</u>
Total Fund Equity	<u>\$349,165</u>
Total Liabilities & Fund Equity	<u>\$349,705</u>

The accompanying notes are an integral part of this statement.

Natchitoches Historic District Development Commission
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances-
 Budget (GAAP Basis) and Actual-Governmental Fund Type-
 General Fund
 Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous- Interest	\$ 0	\$ 4,467	\$ 4,467
Intergovernmental- Grants	<u>470,000</u>	<u>473,882</u>	<u>3,882</u>
Total Revenues	<u>\$470,000</u>	<u>\$478,349</u>	<u>\$ 8,349</u>
EXPENDITURES:			
General Government- Salaries	\$ 4,800	\$ 5,200	\$ (400)
Supplies	4,000	283	3,717
Advertising/Publishing	3,000	36	2,964
Economic Development- Capital Expenditures	100,000	23,664	76,336
External Appropriations- City of Natchitoches	<u>100,000</u>	<u>100,000</u>	<u>0</u>
Total Expenditures	<u>\$211,800</u>	<u>\$129,183</u>	<u>\$82,617</u>
Excess of Revenues Over Expenditures	\$258,200	\$349,166	\$90,966
Fund Balance-Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance-End of Year	<u>\$258,200</u>	<u>\$349,166</u>	<u>\$90,966</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Natchitoches Historic District Development Commission
Notes to Financial Statements
June 30, 1999

INTRODUCTION

The Natchitoches Historic District Development Commission was created by Acts R. S. 25:791 of the Louisiana Legislature. The Commission is created for the purpose of planning and development of the Natchitoches Historic District, a national landmark, and for the maintenance of the historic integrity of the District. The Board of the Commission shall consist of a Chairman, Vice-Chairman, Secretary, and Treasurer. The Commission has no statutory employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF PRESENTATION-

The accounting and reporting policies of the Commission conform to generally accepted accounting principles as applicable to governmental units, on a basis consistent between periods. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Governmental Audit Guide*.

B. REPORTING ENTITY-

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the State of Louisiana for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the State of Louisiana to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State of Louisiana.
2. Organizations for which the State of Louisiana does not appoint a voting majority but are fiscally dependent on the State of Louisiana.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Natchitoches Historic District Development Commission
Notes to Financial Statements
June 30, 1999

Because the State of Louisiana created by ordinance, the Natchitoches Historic District Development Commission, the Commission was determined to be a component unit of the State of Louisiana, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the State of Louisiana, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING-

The Commission uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

The fund classifications and a description of each existing fund type follow:

Governmental Funds-

Governmental funds account for all of the Commission's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

General Fund-the general operating fund of the Commission and account for all financial resources, except those required to be accounted for in other funds.

D. BASIS OF ACCOUNTING-

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in the current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues-

Revenues are recognized when they become measurable and available as net current assets.

Natchitoches Historic District Development Commission
Notes to Financial Statements
June 30, 1999

All intergovernmental revenues and a substantial portion of miscellaneous revenues are recorded as revenue when earned and billed since they are measurable and available and are therefore considered to be susceptible to accrual.

Expenditures-

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The Commission has elected not to capitalize public domain ("infrastructure") fixed assets *consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements.*

E. BUDGET-

An annual operating budget is adopted for the General Fund. The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of each year, the Secretary-Treasurer prepares a proposed budget and submits same to the Board of Commissioners.
2. The Board of Commissioners approves the budget, or amends it as necessary.
3. The approved budget is held open for public inspection.
4. The basis of accounting applied to budgetary data presented is substantially consistent with the appropriate basis of accounting for each fund for which an annual budget is prepared. Appropriations which are not expended lapse at year-end.

F. ENCUMBRANCES-

The Natchitoches Historic District Development Commission does not employ the use of "Encumbrance" accounting.

G. CASH AND CASH EQUIVALENTS AND INVESTMENTS-

Cash includes amounts in interest-bearing demand deposits. All of the Commission's funds are considered to be cash as opposed to investments. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Natchitoches Historic District Development Commission
Notes to Financial Statements
June 30, 1999

2. CASH AND CASH EQUIVALENTS:

At June 30, 1999, the Natchitoches Historic District Development Commission has cash and cash equivalents (book balances) totaling \$272,685. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1999, the Natchitoches Historic District Development Commission has \$373,280 in deposits (collected bank balances). Of this amount, \$100,000 is covered by federal deposit insurance, leaving an unsecured balance of \$273,280. This is a violation of state law and is covered in the findings and questioned costs portion of this report.

3. PENDING LITIGATION:

At June 30, 1999, the Natchitoches Historic District Development Commission was not a party in any civil suit seeking damages against the Commission.

4. YEAR 2000 ISSUE:

The year 2000 issue is a result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Natchitoches Historic District Development Commission uses a service organization for bookkeeping services, and handles checks and deposits manually. The service organization has declared its systems to be year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that parties with whom the Commission does business will be year 2000 compliant.

5. INTERGOVERNMENTAL AGREEMENTS:

For the year ended June 30, 1999, the Natchitoches Historic District Development Commission was owed a total of \$308,607 from other governmental agencies based on amounts supplied by the Commission. Because the amounts shown by the Commission and other entities do not agree, only those amounts which can be verified are shown. Any subsequent collections will be recorded as revenues when received. The following is a summary of changes in amounts owed to the Commission at June 30, 1999 based on figures received from the Natchitoches Historic District Development Commission:

Natchitoches Historic District Development Commission
Notes to Financial Statements
June 30, 1999

	<u>Natchitoches Chamber of Commerce</u>	<u>Natchitoches Parish Tourist Commission</u>	<u>Total</u>
Balance Due at July 1, 1998	\$195,237	\$ 470,375	\$ 665,612
Less Payments Received During Current Fiscal Year <u>(69,085)</u>		<u>(287,920)</u>	<u>(357,005)</u>
Balance Due at June 30, 1999	<u>\$126,152</u>	<u>\$ 182,455</u>	<u>\$ 308,607</u>

INTERNAL CONTROL AND COMPLIANCE

REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF THE GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
of the Natchitoches Historic District Development Commission

We have audited the general purpose financial statements of the Natchitoches Historic District Development Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Natchitoches Historic District Development Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Governmental Auditing Standards which is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Natchitoches Historic District Development Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Louisiana Legislative Auditor, management, others within the organization, and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Thomas & Cunningham, CPA's

December 19, 1999
Natchitoches, Louisiana

Natchitoches Historic District Development Commission
Summary Schedule of Findings
& Questioned Costs
Year Ended June 30, 1999

I. Summary of Audit Findings

The following summarizes the audit results:

1. An unqualified opinion was issued on the general purpose financial statements of the Natchitoches Historic District Development Commission as of and for the year ended June 30, 1999.
2. The audit did not disclose reportable conditions in internal control.
3. The audit disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

II. Findings in Accordance with *Government Auditing Standards*

Compliance

99-1 Cash Undersecured

Condition- For the year ended June 30, 1999, the Commission had an unsecured balance of cash in excess of federal deposit insurance. This is a violation of Louisiana Revised Statutes.



NATCHITOCHEs HISTORICAL DISTRICT DEVELOPMENT COMMISSION
P.O. BOX 37
NATCHITOCHEs, LOUISIANA 71457

MANAGEMENT'S RESPONSE

December 20, 1999

Please be advised of the Natchitoches Historic District Development Commission's Response for FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS as they relate to the FY98-99 audit of the Natchitoches Historic District Development Commission.

99-1 Cash Undersecured

The Commission will take the appropriate steps to ensure that all funds are adequately secured.

Sincerely,

A handwritten signature in cursive script that reads "Charles E. Powell". The signature is written in black ink and is positioned below the word "Sincerely,".

Charles E. Powell
Director